

COLOMBIAN MANAGERS'S VIEWS OF BUSINESS ETHICS

By

MUÑOZ, Juan David

THESIS

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KDI School of Public Policy and Management

in partial fulfillment of the requirements

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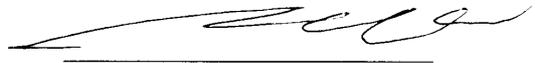
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Committee in charge:

Professor Choi, Tae-Hee, Supervisor



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ABSTRACT

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By

Juan David Muñoz

Following the rapid development of Colombia in the last two decades, the emerging country is in the focus of a globalized world looking for business opportunities. This paper examines closely Colombian managers' perceptions of business ethics, and compares their views with those of managers in the United States, Korea and Japan. Since ethics do not have a standardized code, this study reveals the differences of what means to be ethical in Colombia versus what seems to drive ethical behavior in the other countries' managers.

The study reveals that while Colombians follow the rules written on paper, Korean and Japanese managers seem to follow more their own ethical beliefs; it also shows that Americans are very business oriented but with a very solid ethical base while Koreans on their side have a strongly defined set of hierarchies that drive ethics in a following-one's-superior basis; and amid various other conclusions the study brings to light that Colombian managers' major ethical conflicts are related to their colleagues which does not happen in the Asian companies due to their sense of collectivism among managers.

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I want to express my big gratitude to my family and friends who continuously supported me into pursuing this master's degree in a foreign country. Living in Korea not only shaped wisdom in a level that no other experience would have been able to provide to my career, but it also left me with the sense of the magnificent country that Korea is and my future as an ambassador of the greatness of this nation.

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Lastly, for the hundreds of people who helped me answering the surveys for the empirical study, and my friends who assisted me organizing the vast amount of information, I say thanks and this work is for you and the better future of Colombia.

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1. INTRODUCTION

How ethical are businessmen? Are ethical practices a standardized code among all countries? Whose interests are the business' managers trying to follow? For all these questions it will not be easy to provide a single genuine answer. Previous studies have been conducted in developed countries like the United States, Korea and Japan collecting business managers' views of business ethics and providing interesting conclusions that we want to compare to the perceptions of managers of companies in a developing country like Colombia.

Half a century back in time, Baumhart (1961) completed the first empirical study surveying managers of companies in the United States. The concept of ethical standards is hard to pin down and the variety of answers obtained in that study showed how ethics follow different personal codes, or what societies accept as correct or some other times what the law dictates as the right thing to do [2]. Now, when we bring the same question to Colombia, a rapid emerging country receiving the attention of a globalized world, we plan to draw some fresh conclusions.

Following years of improvement in economic policy and democratic security¹, Colombia is finally showing the results in increased confidence in the economic and business sectors. As more businesses, trade opportunities and foreign investors are going to this emerging country, there is not yet a clear view of business ethics in Colombia, a reason why some of those investors are still not confident to bring their capitals into the country.

After a turbulent past in Colombia in terms of dealing with the illegal drug trade and national security, the image of the country has a long way to be improved in the international sphere. According to Echeverri [7], the struggles of the Colombian government towards

¹ Democratic Security: Colombian policy implemented during the administration of President Alvaro Uribe to protect Colombian society from the effects of the violence and illegal drug trade. (Ministry of Defense, 2003)

building a nation brand have been successful when it comes down to “making the internal efforts needed to shape a long term sustainable country brand”, but still do not reach the businessmen concerns around the world related to how ethical are business practices in the country. This study is trying to fill that gap, showing the perceptions of a noteworthy number of business managers in Colombia.

Making use of the survey methodology, we will try to assess the true nature of business ethics in Colombia. So therefore, the main purposes of this study are: (A) to examine closely the Colombian managers’ perceptions of business ethics, and (B) to compare these perceptions to those of managers in the United States, Korea and Japan.

The countries chosen to be a point of comparison were carefully selected with a straightforward intention. Colombia signed Free Trade Agreements with the United States (2011) and Korea (2012) and by the time this paper is being written, it is in the talks to sign one more with Japan. These three countries are then to be considered among the ones where large direct investment will come from. Having available data from previous studies in these diverse and developed world nations, it is just ideal for research in terms of the conclusions that will be originated in this paper.

2. Previous studies

Baumhart (1961) in his book *How Ethical Are Businessmen?* evaluated business ethics empirically, surveying the ideas and attitudes of business managers in the United States. His idea was to encourage top management in the companies to re-examine effectively its thinking and practices. Among the main highlights of his study, he concluded that executives are aware of their social responsibilities since they see the corporation as a human society. Also for specific business practices, executives frequently disagree about what is the ethical

thing to do, and also that the people most likely to act ethically are the ones with a well-defined personal code.

In a lapse of thirty years after that study, other authors later replicated the survey in the USA complementing it with more questions that were more suitable as time went by. These authors were Brenner and Molander (1977), Posner and Schmidt (1984), Vitell and Festervand (1987), and ultimately Arlow and Ulrich (1988). They analyzed business ethics in the United States in particular industries and moreover in different periods of time. Each of the former authors added some unanswered questions from the previous studies. Two very important conclusions are that “respondents are somewhat more cynical about the ethical conducts of their peers than they are” [Brenner, 1977:3] and also that as time went by, “executives felt that there are fewer unethical practices... and that ethical standards are higher today” [Vitell, 1987:11].

Becker (1987) made a cross-cultural comparison of managers’ attitudes in the United States, France and Germany. This comparison of the three countries focused on ethical codes brought very interesting conclusions. The managers in France and the United States were more idealistic in terms of following ethical codes, contrary to the Germans who are pessimistic about the efficacy of these codes. Subsequently, Nakano (1997) evaluated Japanese business managers’ views of business ethics. Extending original Baumhart questionnaire he gets to the conclusion that Japanese managers “tend to be more situational in their ethical orientation” [Nakano, 1997:1] and also that the company policies on ethics are the most significant factor to managers for ethical decision-making.

More recently, Choi and Nakano (2008) replicated previous Nakano’s extended questionnaire to survey managers in Korea and Japan. This study also examines the evolution of business ethics in a ten-year period of time. The conclusions derived from this survey,

reveal that managers' views of ethics in both countries have not changed significantly over that decade and that Korea and Japan have set a very outstanding progress in creating measures to establish corporate ethics during this period of time in their companies.

3. Research Methodology

The finest way to collect business managers' views of business ethics is with the survey methodology. Different authors in many countries have effectively used this method to assess the arguments related to business ethics.

The survey questionnaire used is the same that was employed in "The evolution of business ethics in Japan and Korea over the last Decade" by Choi and Nakano (2008). This questionnaire is the result of many modifications and extensions added throughout the years and a replication of the original used in Baumhart's study (1961).

To make assessments of the perceptions of the managers in Colombia, in comparison with the United States, Korea and Japan, the form was carefully translated into Spanish from the one in English. To avoid incongruities in the results, the currency was originally in US Dollars and converted into Colombian Pesos. The results in this study though, will be shown in English and US Dollars, but it was important to address more solid and consistent questions to the managers in the companies by doing the study in local currency and language.

A massive number of surveys were originally sent only through email to managers in the companies but the return rate was not as high as expected. On a second stage of the study, 146 questionnaires were post-mailed and directly delivered to the companies. In a time lapse of four months, we were able to collect 101 fully responded forms.

Since the matter of study is sensitive for some managers in terms of the things they can say about business ethics in their companies, they were able to respond anonymously.

Subsequently, the results collected by this study are more reliable because the respondents could be more honest about how ethical are business practices in their companies.

The sample for this survey study was collected from managers of companies in Colombia. Out of the total of 101 questionnaires answered, Table 1 summarizes the general characteristics of the respondents.

Table 1
Descriptive Statistics (Respondents) ¹

Sex		Industries	
Male	64.4%	Manufac. consumer goods	6.9%
Female	35.6%	Manufac. industrial goods	5%
Age		Engineering, R&D	12.9%
22 or younger	2.0%	Consulting and Business	8.9%
23 – 33	43.6%	Banking, investment, insurance	8.9%
34 – 44	17.8%	Construction	5.9%
Older than 45	36.6%	Mining, extraction, oil	4%
Level of Management²		Retail or wholesale trade	3%
Top Management	13.9%	Transportation or public utilities	2%
Upper Middle Management	47.5%	Advertising, media, publishing	7.9%
Lower Middle Management	28.7%	Consumer services	10.9%
Other	9.9%	Others	23.8%

¹ The total number of respondents is 101 and all the descriptive statistics are computed after considering missing values.

² Top Management includes the president, chairmen of board, executive directors and board members. Upper Middle Management includes functional department heads and assistant directors of department. Lower Middle Management and others include non-management personnel, assistant managers, supervisors or government officers.

4. Empirical Results:

4.1. Managers' views of responsibility to stakeholders

Several stakeholders play a different role for the company and there has always been a discussion of which of them is the most important to the company. Some would agree that the stockholders have the priority since they are the major investors in the company equity but

others would disagree assuming that the company's interests are entirely towards their customers.

Business managers in this survey were asked to rank eight of the stakeholders we listed, from 1 to 8 (number 1 being the most important for the company) and we can find some trends between the four countries of our study. The results are shown in Table 2. All four countries ranked customers, employees and stockholders as the groups with the most responsibility for the company. Both American and Asian managers answered that customers come first, which contradicts previous studies like the one from Thurow in 1992 [13] where he stands that the company always emphasizes on the interests of the shareholders.

Table 2
Company Responsibility to various groups
Mean Ranks¹

	Colombia 2012	US 1961	Japan 2004	Korea 2005
Responsibility to				
Customers	2.1 (1)	1.95 (1)	1.45 (1)	2.81 (1)
Employees	3.08 (2)	2.67 (2)	2.68 (2)	2.89 (2)
Stockholders	3.59 (3)	3 (3)	2.74 (3)	3.25 (3)
Suppliers	4.71 (4)	5.75 (6)	4.71 (5)	4.34 (4)
Local community	5.03 (5)	4.78 (4)	4.44 (4)	4.64 (5)
Government	5.34 (6)	6.23 (8)	6.76 (7)	4.98 (6)
Society in general	5.52 (7)	5.48 (5)	4.91 (6)	4.99 (7)
Dealer	6.59 (8)	5.94 (7)	*	*
	N=101		N=225	N=391

¹ The ranking is based upon a scale of 1 (most responsibility) to 8 (least responsibility). * Not included in the questionnaire.

While Colombian managers seem to rank the stakeholders exactly in the same order as Korean managers, the other two countries have a different perception. In the United States and Japan the managers ranked in the 4th place the local community and after this one the society in general. This result let us think that business practices in these two countries are developed to the point where the orientation of the company is more towards society while in a country like Colombia, the businesses are not there yet and the responsibility seems to fall first on the suppliers rather than the local community or society in general.

4.2. Unethical industry practices

The managers surveyed in this study were asked to answer whether there were any unethical practices in their industries and also if there were any, to list the most common ones they perceive in their companies. In Colombia 44.6% of the managers seem to think that there are none unethical practices in their industries. While this result is similar in the other three countries, Colombian managers were the ones who recognized the least existence of unethical practices. Shown in Table 3.

This result does not exactly correspond with the general perception of corruption inside the companies in Colombia. There could be a slight change for the results of this question since the perception of what is ethical and unethical differs between the countries. At this point of the survey the question is very open and managers just express their feeling about the existence of general unethical practices, which also explains why the survey shows that among the four countries, Colombians were the most opened ones to answer with the highest percentage (7%) that there are many unethical practices in their industries.

Also comparing the results of our survey with the other countries, there is a high percentage of respondents who answered they do not know about the existence of unethical practices. The same reason that explains the percentage for non-existent unethical practices might apply here, or different factors that drive managers not to manifest their feelings about this issue in their industries.

Table 3
Existence of unethical industry practices

	Colombia 2012 (%)	US 1985 (%)	Japan 2004 (%)	Korea 2005 (%)
None	44.6	44	37.3	49.1
Yes, a few	30.7	47	35.6	32.5
Yes, many	6.9	3	3.6	2.8
Don't know	17.8	6	23.6	15.6
	N=101		N=225	N=391

Moreover, those who answered “yes” for the existence of unethical practices were asked to list the practices they would like to eliminate the most. In Table 4 we can see the results of what Colombian managers think.

Table 4
Unethical Industry Practices

	Colombia	US**	Japan	Korea
	2012 (%)	1985 (%)	2004 (%)	2005 (%)
Giving of gifts, gratuities and briberies	78.6	21.2	22.1	56.2
Price discrimination and unfair pricing	23.8	22.7	23.1	28.1
Price collusion by competitors	26.2	9	29.9	19.8
Unfairness to employees	42.9	7.5	13	14.9
Cheating customers	50.0	19.7	13	12.4
Dishonesty in keeping a contract	33.3	7.5	10.4	11.6
Overselling	23.8	1.5	3.9	7.4
Miscellaneous unfair competitive practices	45.2	*	7.8	5.8
Unfair credit practices	14.3	3	1.3	3.3
Dishonest advertising	45.2	6	6.5	1.7
Other and unspecified	11.9	1.5	19.5	0.8
	N=42		N=77	N=130

* Not included in the questionnaire.

** Single Choice

Out of the 101 respondents in Colombia, 42 business managers answered this question and a high 78.6% would strongly eliminate the practice related to giving of gifts, gratuities and briberies. As enounced before, Colombia is a country where just until now, companies are starting to build strong ethical codes to include in the daily operation of their business. This perception of money for contracts, or briberies to get things done comes along the troubled past of the country and managers who answered this survey agree on eliminating this the most.

Other practices decidedly picked to be eliminated in Colombia are the unfairness to employees (42.9%), cheating customers (50%) and miscellaneous unfair competitive practices (45.2%). Although the results for this question in the other countries are very scattered, we can see a convergence in them where the briberies and unfair pricing are among the most loathsome practices.

4.3. Efforts to build ethical values

In this study we want to determine to what extent are the companies putting efforts towards the implementation of ethical values. This is a key point for Colombia in the current scenario of growth and fast development, since companies will have to use very strong ethical codes in order to move on from the corrupted past that has characterized the country in the last decades.

The results in Table 5 display the perceptions of business managers towards this goal.

Table 5
Company's efforts towards building ethical values

	Colombia 2012 (%)	US (%)	Japan 2004 (%)	Korea 2005 (%)
Yes, very eagerly	67.3	*	36.8	30.9
Yes, to some extent	18.8	*	54.3	58.1
Yes, but very little	6.9	*	7.2	4.1
Not at all	6.9	*	1.8	6.9
	N=101		N=221	N=363

* Not included in the questionnaire.

In Colombia, a massive 86% of the managers agree to think that the companies in the country are building ethical values to implement in their businesses. A percentage of 67.3% think that the companies are building them very eagerly, which is a very good sign for the institutionalization of ethics through different methods we will analyze. Table 6 reviews the different methods implemented in the companies.

Table 6
Methods of building ethical values into the organization

	Colombia	US	Japan	Korea
	2012 (%)	1990 (%)	2004 (%)	2005 (%)
CEO's frequent statements on ethics	41.5	*	57	62.3
Punishment for unethical conduct	53.2	*	65.6	55.6
Corporate philosophy including ethics	56.4	*	33.9	50.7
Code of ethics	75.5	93	68.8	47.7
Anonymous Reporting Hotline	19.1	*	*	45.5
Employee training in ethics	33.0	52	62.9	44.1
Suggestion system on ethics	56.4	*	61.5	35.5
Contribution to social/cultural activity	27.7	*	34.8	30.9
Ombudsman	13.8	*	*	28.9
Ethics committee	24.5	25	57.5	22.3
Social auditing	12.8	*	*	14.3
Other and unspecified	5.3	11	4.5	14.3
	N=94		N=221	N=363

* Not included in the questionnaire.

The question about the methods of implementation was asked to managers in the four countries giving us very different results if each one of them. In Colombia three quarters of the respondents said that the Code of Ethics is the top implemented method. In Colombia, if we make a direct literal translation we call these codes “Coexistence Codes” or “Cohabitation Codes” and they have been a very successful way to implement regulations for the company. An astonishing 75.5% of the managers see this method as the most successfully implemented. Among other methods in Colombia we have a system of punishments (53.2%), a strong corporate philosophy (56.4%) and a suggestions system on ethics (56.4%) amongst the most implemented.

On the other hand, although the codes of ethics seem to be a standard for the other countries, they place more importance on methods like CEO’s frequent statements on ethics like is the case of the Asian countries; or employee training on ethics in the United States and Japan; or even anonymous reporting hotline like in the case of Korea. These results, following Taka and Foglia’s study [12] show that Japanese companies are less concerned about monitoring unethical values, since they place more value on self-realization and trust in

others. At the same time we can confirm what Choi and Nakano [6] concluded, when they specified that Asian managers tend to build the corporate ethics based on trust in their employees instead of having systematic measures.

Table 7 shows the extent of success these methods of implementation of business ethics have. Unlike Japan and Korea, Colombia together with the United States shows a very positive perception of the success this methods have. In the previous studies the Asian countries, managers show an increase of confidence as the years go by and they seem to be more rational and realistic about it. In Colombia, one could say that the efforts are truly successful and the managers are a big part of it (Very satisfactory: 32.7%).

Table 7
To what extent the organization has been successful

	Colombia 2012 (%)	US 1990 (%)	Japan 2004 (%)	Korea 2005 (%)
Very satisfactory	32.7	42	1.4	11
Satisfactory	45.5	54	67.6	71.4
Unsatisfactory	6.9	0	18.7	11.5
Very unsatisfactory	*	0	3.2	0.8
Cannot tell	7.9	4	9.1	5.2
	N=94		N=219	N=391

* Not included in the questionnaire.

4.4. Conflicts between manager’s personal ethics and the company interests

Managers were asked if they experienced in their companies any conflicts between their ethical beliefs and what the company think is right to do. Often, business managers find themselves trapped in this conflict where their ethical beliefs oppose what the obligation to the company dictates to do. The respondents of our survey answered with a low 26.7% saying “yes” versus a 73.3% of them who did not seem to be involved in these kind of situations. The results can be seen in Table 8.

Table 8

Conflict between your organization and your personal ethics

	Colombia	US	Japan	Korea
	2012 (%)	1976 (%)	2004 (%)	2005 (%)
Yes	26.7	57.2	31.6	31.5
No	73.3	42.8	68.4	68.5
	N=101		N=225	N=391

In previous studies like the one from Choi and Nakano [6] in 2008, they show that there is a tendency of reducing the number of conflicts as time goes by. In their study, they made a time comparison, concluding that the conflicts were much higher in the past like in the case of Korea 72.3% fifteen years ago, and only 31.5% in the recent years. In Colombia it's hard to draw the same conclusion without prior data but looking at the trend in the other countries it is acceptable to assume that it follows for our study as well.

Now, the 27 business managers that answered positively the question related to having conflicts between the company interest and their personal ethics were asked to list the ones they most commonly got involved with. Table 9 shows the results for this question that in our study are very sturdy compared to the other countries in comparison.

Table 9

Conflicts between company interest and personal ethics

	Colombia	US	Japan	Korea
With regard to:	2012 (%)	1985 (%)	2004 (%)	2005 (%)
Gifts, entertainment, and kickbacks	63.00	29.3	18.3	41.5
Fairness and discrimination	51.90	22.4	38	39.8
Honestly in internal communication	51.90	16.5	16.9	26.8
Honesty in executing contracts and agreements	40.70	15.5	22.5	20.3
Price collusion and pricing practices	14.80	18.4	22.5	20.3
Honesty in external communication	11.10	7.8	19.7	16.3
Firings and layoffs	51.90	18.1	25.4	13
Others	18.50	*	18.3	2.4
	N=27		N=71	N=123

* Not included in the questionnaire.

In the United States, Japan and Korea the managers all agree with Colombian ones that gifts, kickbacks, fairness and discrimination are the most common ones. The big difference is that in Colombia the numbers are much bigger. Out of those managers surveyed that had conflicts, 63% of them were with regard to gifts and entertainment, while in the other countries it barely reaches the 40% of the respondents.

Also, with regard to honesty in internal communication, the execution of contracts, firings and layoffs, the percentages of the survey show that the Colombian managers that acknowledge having conflicts, are very distressed with many of the practices of the company. In the Asian countries and in the United States the kickbacks and the discrimination seem to be the most recurrent but not as strongly as in the Colombian companies.

Furthermore, we want to know in relationship with whom are these conflicts occurring. Table 10 synthesizes the data collected with the survey. While Colombians chose the customers (66.7%) and their colleagues (59.3%) to be the ones involving ethical conflicts, Koreans place first the suppliers (55.3%) and Japanese include superiors as well (42.3%).

Many of these differences can be explained with the cultural gap between the American and Asian companies on how relationships between employees and superiors work. The clear set of hierarchies in Korea make clear that there are differences between colleagues placing suppliers as the most problematic. But in Colombia where the colleagues are more in a horizontal place in the company, there tend to be more conflicts between them in the daily operation of the business.

Table 10

Conflicts between company interests and personal ethics

	Colombia	US	Japan	Korea
In relation with:	2012 (%)	1985 (%)	2004 (%)	2005 (%)
Suppliers	7.4	49.5	23.9	55.3
Customers	66.7	50	42.3	43.1
Superiors	14.8	29.5	42.3	38.2
Competitors	22.2	41.9	18.3	27.6
Colleagues	59.3	*	12.7	27.6
Employees	40.7	40	25.4	19.2
The law and government	33.3	36.3	21.1	17.1
Society in general	7.4	*	18.3	14.6
Stockholders	22.2	*	5.6	11.4
Others	11.10	*	7	0
	N=27		N=71	N=123

* Not included in the questionnaire.

Additionally, we made a cross tabulation with the data of the survey between the level of management and the next question that was “Which side would you chose in case of conflict?”. All the results are summarized in Table 11. The outcome was very different for the three countries we have data from (United States excluded). In Colombia both upper and lower management positions answered that they would follow their personal ethics with an average close to the 70% for both cases.

Table 11

Conflicts between company interests and personal ethics**Cross tabulation between "Which side do you choose?" VS "Level of Management"**

	Colombia		Japan		Korea	
	2012 (%)		2004 (%)		2005 (%)	
	Top + Upper Management	Lower Management	Top + Upper Management	Lower Management	Top + Upper Management	Lower Management
Company Interests	15.0	11.1	22.6	29.4	66.7	52.1
Personal ethics	70.0	66.7	12.9	29.4	22.2	27.1
Depends on the situation	15.0	22.2	64.5	41.2	11.1	20.8
	N=20	N=9	N=31	N=34	N=36	N=48

The interesting analysis we can give to this part of the study is that in Japan they strongly agree that the side they might choose, would depend on the situation and in Korea they coincide that they would follow the company interest. For the three countries the trend is very different and we can speculate to say that it all comes down to the way the managers perceive their place in the business. While in Korea there is a culture of collectivism towards the company, in a country like Colombia managers do not entirely trust the company as a whole and they would go for their personal ethics.

4.5. Factors that influence ethical decision-making in the companies

Now from a similar but different perspective, we want to know the factors that are influencing the business managers to make ethical decisions for their companies. The results in table 12 show are explained with these two questions: We first asked in the survey if they ever reported any unethical practices and for those who did not, we listed some reasons to know why they did not do it.

Table 12

Reported unethical practices and Reasons for not reporting

Reported any unethical practices ¹	Colombia
	2012 (%)
Yes	43.6
No	56.4

Reasons for not reporting ²	Colombia
	2012 (%)
It was difficult to decide whether the practices were ethical or not	12
Even if reported, it would be difficult to correct the unethical practice	36
Questionable whether my identity as reporter would be kept secret	12
I would receive negative judgment from my superior or colleagues	14
Other *	68

* The reason for most of these respondents is that they did not experience unethical practices

¹ N=101 ² N=50

Almost half of the respondents (43,6%) answered that they reported unethical practices influenced by factors that we will analyze further in this paper and the other 56.4% who never did, explained why they did not take a step closer to correct the unethical practice. For Colombian managers, 36% of those who never reported an unethical practice say that even if reported, it would be very difficult to correct this unethical practice so they just decided to pass by it. Among the other reasons that were not listed in the survey, many of them said they were just never involved in a situation to report (68%).

But more prominently, on this segment of our analysis, we want to go deep into the reasons that are influencing ethical and unethical decisions inside the companies. Tables 13 and 14 show the rankings for the reasons. It was made upon a scale from 1 to 5 (1 being the most influential factor).

Table 13
Factors influencing ethical decisions
Mean Ranks¹

	Colombia	US	Japan	Korea
	2012	1961	2004	2005
Company policy	1.79 (1)	2.8 (2)	2.12 (2)	2.44 (2)
One's personal code of behavior	2.25 (2)	1.5 (1)	1.73 (1)	1.99 (1)
Behavior of one's equals in the company	3.79 (5)	4 (5)	4.06 (4)	3.88 (4)
Ethical climate of the industry	3.59 (4)	3.8 (4)	4.11 (5)	3.89 (5)
Behavior of one's superiors	3.57 (3)	2.8 (2)	2.79 (3)	2.88 (3)

N=101

N=215

N=383

¹ The ranking is based upon a scale of 1 (most influential) to 5 (least influential).

Colombian managers differ with those in the other three countries when they rank the top influential factor as the company policy to drive the ethical decision-making. In the United States, Japan and Korea they think that one's personal code of behavior is the most important factor.

This is somehow confusing with the previous results where we stood that Colombians seem to follow their personal ethics. In this question, the difference is that we have the full

sample of 101 and before we only had those who had conflicts between their personal ethics and the company interests. We can say then that even when Colombian managers find themselves in conflict and go for their personal ethics, in general they would follow the company's policy in order to make ethical decisions.

Table 14
Factors influencing unethical decisions
Mean Ranks¹

	Colombia 2012	US 1976	Japan 2004	Korea 2005
Company policy or lack thereof	2.49 (1)	3.27 (2)	2.3 (2)	2.53 (2)
One's personal financial needs	2.54 (2)	4.46 (5)	3.29 (4)	3.2 (4)
Behavior of one's equals in the company	3.25 (3)	3.37 (4)	4.09 (5)	3.75 (5)
Ethical climate of the industry	3.41 (5)	3.34 (3)	3.22 (3)	3.09 (3)
Behavior of one's superiors	3.31 (4)	2.15 (1)	2.04 (1)	2.43 (1)

N=101

N=224

N=375

¹ The ranking is based upon a scale of 1 (most influential) to 5 (least influential).

Accordingly, when it comes to factors influencing unethical decisions Colombians also differ from the other countries. They stand with the factor of the company policy or lack of it to influence unethical practices while in the other countries they think that the behavior of one's superiors is the factor that matters the most. In Colombia, due to the historical corruption inside the private sector, the factor of "one's financial needs" comes as second while in the other countries is almost the least influential. All of these countries have much higher average annual incomes² than Colombia, which can explain this difference.

4.6. Reactions to hypothetical situations

This segment of the paper provides us with results about what managers in the companies would do in specific hypothetical situations. We introduced four different questions to the managers and asked them to answer in two different ways. The first one is what would they do themselves regarding the situation; and also what would another average manager do concerning the same situation.

² The CIA World Factbook. GDP per Capita by Country. Available at <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2004rank.html>

In this analysis we are going to see a particular tendency of managers being more cynical about their colleagues' business ethics. As prior studies show, like the ones from Baumhart (1961), Brenner and Molander (1977), Vitell and Festervand (1987) or Choi and Nakano (2008), our study will agree with those previously enounced on the fact that managers think themselves to be more ethical than the average manager in the industry.

4.6.1. Hypothetical Situation 1

Situation: An executive earning \$400,000 a year has been padding his/her expense account by about \$20,000. (Results in Table 15)

Table 15
Hypothetical Situation 1

	Colombia		US		Japan		Korea	
	2012 (%)		1985 (%)		2004 (%)		2005 (%)	
	Oneself	Average	Oneself	Average	Oneself	Average	Oneself	Average
Acceptable if other executives in the company do the same thing	2	17.8	0	26	0.4	9.4	6.4	22.6
Acceptable if the executive's superior knows and says nothing	5.9	19.8	2	20	8.9	26.5	24.9	36.8
Unacceptable regardless of the circumstances	92.1	62.4	98	54	90.7	64.1	68.6	40.6
	N=101	N=101			N=225	N=223	N=389	N=389

This first situation involving the use of money from the company for personal expenses is what people in general would consider as an unethical practice. Even though this study is being done to prove that not for everybody this is consider an unethical behavior. In Colombia, managers themselves agree with a 92.1% that this is unacceptable regardless of the circumstances but as we said before they think that only 62.4% of their peers would consider it unacceptable.

The results are very similar for the United States and Japan but not for Korea. Choi and Nakano [6] explained that in Korea managers tend to make their ethical decisions looking forward to attain a higher solidarity with their superiors. If we look at what Koreans answered, only 40.6% of them think their peers would find it unacceptable since they place high significance on the actions of their superiors.

Colombia follows almost the exact trend of the United States, not only because the business cultures are very similar but also because the ethical standards we have included in companies inside the country come mostly from American multinational firms that set the principles for how to do business in Colombia.

4.6.2. Hypothetical Situation 2

Situation: Imagine that you are the president of a company in a highly competitive industry. You learn that a competitor has made an important scientific discovery, which will give him an advantage that will substantially reduce the profits of your company. If there were some hope of hiring one of the competitor's employees who knew the details of the discovery, would you try to hire him? (Results in Table 16)

Table 16
Hypothetical Situation 2

	Colombia		US		Japan		Korea	
	2012 (%)		1985 (%)		2004 (%)		2005 (%)	
	Oneself	Average	Oneself	Average	Oneself	Average	Oneself	Average
Probably would	40.6	62.4	61	82	48	69.9	59.5	84.5
Probably would not	59.4	37.6	39	18	52	30	40.5	15.5
	N=101	N=101			N=225	N=223	N=389	N=389

This situation brings a more complex scenario to decide whether the practice is unethical or it is not. Apparently among the four countries, Colombian managers are the ones to perceive this as the most unethical among the views about it in all four countries. Almost

60% of Colombian managers think that hiring that employee with the knowledge would be something like stealing, but when we look at what they answered for the average manager, they are closer to the results in the other countries agreeing that probably many of their peers would do it (62.4%).

The United States and Korea are both countries that show a different result for this question. A way to justify them being open about obtaining the industrial secret, it is that managers in these two countries place more value on the economic profits that in the business ethics.

4.6.3. Hypothetical Situation 3

Situation: The minister of a foreign nation, where extraordinary payments to lubricate the decision-making machinery are common, asks you as a company executive, for a \$300,000 consulting fee. In return, he promises special assistance in obtaining a \$100 million contract, which should produce at least, a \$500,000 profit for your company. What would you do? (Results in Table 17)

Table 17
Hypothetical Situation 3

	Colombia		US		Japan		Korea	
	2012 (%)		1985 (%)		2004 (%)		2005 (%)	
	Oneself	Average	Oneself	Average	Oneself	Average	Oneself	Average
Refuse to pay, even if sale is lost	81.2	41.6	51	21	31.7	10.8	20.5	9.6
Pay the fee, feeling it was ethical in the moral climate of the foreign nation	8.9	23.8	16	27	62.9	63.1	52.8	47.4
Pay the fee, feeling it was unethical but necessary to help insure the same	9.9	34.7	33	52	5.4	26.1	26.7	43
	N=101	N=101			N=224	N=222	N=386	N=386

As we understood in situation 1, it was expected for the Asian countries' managers to agree to pay the fee feeling it was ethical since we reviewed later how they care mainly about the interests of the company. For both Japanese and Korean managers the highest percentage of respondents (62.9% for Japan and 52.8% for Korea) is towards the answer involving the payment of the fee assuming its ethical in the foreign nation environment.

But even more uncanny is the percentage of Koreans answering for themselves (26.7%) about paying the fee even knowing about how unethical it was. Nakano [10] in his paper analyzed this arguing the sense of Japanese and Korean managers when they see business opportunities in different situations. For the United States and Colombia, there is a very clear tendency for respondents to answer they would refuse the payment, which is due to higher law enforcement in these countries or a bigger tendency to follow general principles of personal ethics.

4.6.4. Hypothetical Situation 4

Situation: Imagine that you are a regional sales manager for a large industrial company and your salespeople are giving money to purchasing agents to obtain sales. This is beyond the general acceptable meal or promotional item. Assuming that no laws are being violated, what would you do? (Results in Table 18)

Table 18
Hypothetical Situation 4

	Colombia		US		Japan		Korea	
	2012 (%)		1985 (%)		2004 (%)		2005 (%)	
	Oneself	Average	Oneself	Average	Oneself	Average	Oneself	Average
Issue an order stopping future payments and reduce salespeople pay*	28.7	29.7	18	6	27.2	13.6	38.3	24.2
Issue an order stopping future payments, but do not reduce salespeople pay	51.5	32.7	77	74	69.2	60.2	49.2	31.9
Say and do nothing	19.8	37.6	5	21	3.6	26.2	12.4	43.9
	N=101	N=101			N=224	N=221	N=386	N=385

* The amount of salespeople pay reduced would be equal to their commissions on the sales gained as a result of the future payments.

This last situation refers to a particular practice where salespeople give cash to purchasing agents to get some additional sales. Here, it is hard to find any strong differences among the choices managers had in each country since the strong answer for all of them is stopping the future payments without reducing their salespeople's pay.

Although the results are very similar, we can see in the survey scores, the main point we introduced at the beginning of this section about the disparity between what the managers answered for themselves and what they think about their peers. Even when Colombian and Korean managers agree with the same issue, they answer in a way that could be understood as vague for their colleagues. The results for their peers appear very scattered which could mean there are no tendencies for this specific matter or maybe it can just reflect the cynicism Choi and Nakano (2008) informed in their prior study.

strong issues per country that help us explaining higher ethical standards. For Colombians the top management's emphasis on ethical actions (62.5%) and the increased public awareness and scrutiny today (57.5%) are the main factors.

Table 20
Factors causing higher ethical standards

	Colombia	US**	Japan	Korea
	2012 (%)	1985 (%)	2004 (%)	2005 (%)
Top management's emphasis on ethical action	62.5	32.6	49.7	67.3
Increased public awareness and scrutiny	57.5	9.3	73.6	63.9
New expectations for business's role in society	46.2	2.3	92.2	60.6
Public disclosure, publicity and media coverage	47.5	2.3	77.7	46.1
Increased commitment of corporations to cultural	46.2	*	34.2	24.5
Government regulation, legislation, intervention	43.8	11.6	7.3	24.5
Increase in manager professionalism & education	46.2	23.3	4.7	15.2
Business's greater sense of responsibility	42.5	13.9	*	*
Others	3.8	4.7	4.7	0

N=80

N=193

N=388

* Not included in the questionnaire.

** Single Choice

The United States and Korea settle the same primordial reasons for higher standards today, but Japan adds a very strong reason regarding new social expectations for business's role in society with 92.2%. This means that there is a very strong social pressure into companies and all businesses to include ethical standards since they play a big role in the well being of the society.

Moreover, managers were asked to also list the reasons resulting in lower ethical standards and they are listed in Table 21. Colombian managers strongly agreed on the fact that political corruption and loss of confidence in government (86.9%) is the main factor that does not let the standards in ethics grow. Koreans seem to match those answers but American managers think is related to general lower standards in society (28.6%) and Japanese connect it to the pressure for survival in a slow economy (67.1%).

Table 21

Factors causing lower ethical standards

	Colombia	US**	Japan	Korea
	2012 (%)	1985 (%)	2004 (%)	2005 (%)
Political corruption and loss of trust in government	86.9	19	41.5	68.4
Greed and the desire for gain	58.3	19	45.1	61.8
Competition and the current economic conditions	41.7	14.3	53.7	56
Society's standards are lower	25.0	28.6	50	32.9
Pressure for survival in a slow economy	31.0	*	67.1	32.4
Lack of personal integrity	66.7	19	27.4	31.8
Media coverage create atmosphere for unethical acts	19.0	*	*	*
Pressure for profit from superiors within the company	28.6	*	*	*
Others	11.9	*	5.5	0.3
	N=84		N=193	N=388

* Not included in the questionnaire.

** Single Choice

5. CONCLUSIONS

The last decades in Colombia have been exceedingly remarkable for its development and attraction of foreign investment. The understanding that this study provides about the way to do business in the country brings a whole new perspective in this globalized world especially for those new investors coming to a developing country. Here we are to offer a comprehensive verdict compelling several ideas and topics that were covered in each of the segments of the survey.

Business managers' perceptions in Colombia differ in many ways from those in the United States, Korea and Japan regarding what influences the most the way they make ethical and unethical decisions. Colombian managers tend to follow the policies written on paper while in the other countries, managers go along with their own personal codes of behavior. There was a contradicting result in the survey showing that Colombians who tend to prefer their own personal codes were the ones who experienced more unethical conflicts in their companies.

Also, in the exercise of comparing the four countries, we discovered many similarities among them. When people would think that the Asian companies and their managers had a

very strongly ancient-rooted system of ethics, we spotted many matches on the way Colombian and American managers have their views about it.

On one hand, in the first segments of the study where we analyzed the corporate responsibility to various groups, Colombians ranked the stakeholders just the way Koreans did and very closely to the United States and Japan. “Customers come first”, says everybody. And then when listing the practices most wanted to be eliminated, the gifts and briberies were also a commonality for the managers in the four countries.

On the other hand, the process of institutionalization of ethics has been more dissimilar among the four groups. While in Colombia the code of ethics to be followed has apparently been the most successful, in countries like Korea the continuous statements from the CEO and/or manager’s superiors on ethics have become the tool to implement strong business ethics.

Furthermore, the sense of collectivism Japanese and Korean managers shown in prior studies does not appear to exist in Colombia. We grasped a different way of interaction between the managers surveyed and their peers. To exemplify this, the major ethical conflicts Colombians have are connected to customers and their own colleagues while in the other countries suppliers and competitors were the ones opposed to their ethical views.

This last statement can be understood by mainly two factors out of many there must be to understand ethics and people’s perceptions. First, there could be a big rivalry among colleagues in Colombian companies, since the process how people scale up hierarchies are not very clear and settled. This haziness for employees gives a sense of fear about their position in the company. The second reason is that there is still a lack of trust in the society in general. Not only confidence to the government, or to the CEO of a particular company or to big institutions, but the fear that things are still being done in a wrong way. The confidence is

to be built during the current years of development and surely is a process every country goes through.

At last, the hypothetical situations gave us an interesting feedback from the managers about the perceptions of how ethical those practices are in each country. Situation 2 provided the best example of diverging views among the managers in the four countries. Hiring an employee from a competitor that has a specific knowledge is a very common practice but is it ethical or not? Apparently Colombians did not find it as proper as Americans or Koreans who seem to place more value on the business profits rather than the ethics of the same.

Different countries place more value on different things. Americans are very business oriented but with a very solid ethical base. Koreans on their side have a strongly defined set of hierarchies that drive ethics in a following-one's-superior basis. Colombians, we could conclude that are in the way to follow the lead of American managers in terms of ethics, after building up confidence in every level of the society.

The lack of trust in institutions and people in general is the barrier to let Colombian companies institutionalize business ethics. The rapid growth the country is going through today is the perfect tool to build conviction among managers in a way where enhanced business practices will raise a better country.

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